

THE JACOBS REPORT

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BUSINESS TAX REPEAL SET FOR WEDNESDAY

Economic Albatross or Scapegoat? Either Way, SBT is History

Legislative leadership has officially started the countdown to the repeal of the state's now infamous Single Business Tax (SBT), setting a vote on the initiative issue for Wednesday, just hours after the August 8 primary.

Some Democrats have expressed concern that a replacement tax to fill the resulting budget hole has not yet been offered.

When a bill posing the same SBT repeal date was before the House in March, seven of the 49 Democratic House members voted in support of the repeal. Those joining majority Republicans in support were members who represent competitive districts in the fall elections.

Democrats in the Senate are still developing their strategy on how to respond to the SBT measure. It's not clear at this time whether or not there will be a unified position on the repeal.

A joint legislative committee has been charged with drafting an SBT replacement; proposals are expected to roll out in December.

The SBT issue is alive due to a legislative initiative that was certified last week. The initiative, jumpstarted by Oakland County Executive L. Brooks Patterson, was in response to Governor Granholm's veto of a bill that would have repealed the SBT.

Now that the required number of signatures has been certified, the measure cannot be vetoed by the governor if it passes both chambers of the Legislature.

Michigan adopted the Single Business Tax in 1975. The SBT is a value-added tax that replaced the corporate income tax and six other business taxes. The SBT raises funds for the state that represent approximately 6% of all state revenue.

Under current law, the SBT is scheduled to be completely phased-out by 2009. The rate is reduced by 0.1% each year. However, the phase-out has been paused for two years to allow the state budget to stabilize.

The Senate and the House are both scheduled to meet at 10 a.m. Wednesday.

STATE REVENUE HOLDING STEADY

Decline in Big Three Sales a Concern

According to House Fiscal Agency (HFA) Director Mitch Bean, the state's revenue projections are holding steady. But when asked by reporters if he's worried about anything, Bean responded: "Just read the papers."

Compared to last year, all three of the domestic car manufacturers reported double digit sales declines for July '06. It should be noted, however, that last year was a record sales year and that the July sales period last year was one day longer than its '06 equivalent.

The most negative impact was among truck sales.

Sales of the F-series Ford pickup, considered the flagship of Ford trucks, were off in July by an astounding 45.6 percent. Last year, Ford delivered some 126,905 F-series units. This year, Ford delivered 68,982. Overall, Ford felt a 7 percent reduction in car sales.

General Motors, the world's largest carmaker, reported a 22.3 percent decline in July in light vehicle sales. DaimlerChrysler, which had been the healthiest of the Big Three, reported a whopping sales drop-off of 34 percent.

To their credit, Mr. Bean and Senate Fiscal Agency Director Gary Olson accounted for a slip in sales and market share for the Big Three automakers when they crafted their revenue forecast.

Bean's concern is that the prediction was too small.

"Part of it [their slip in sales] is to be expected," Bean explained about the Big Three. "They had record sales last year. Part of it is pump prices. Pump prices have been at \$3 a gallon for a while."

Bean acknowledged that higher gas prices play to the market strengths of foreign automakers like Honda and Toyota, which specialize in small, fuel-efficient cars. It's the opposite for the Big Three's gas guzzling SUVs and pickup trucks.

Bean expressed less concern about other recent economic news, including a possible strike by Northwest Airlines flight attendants.

"Typically with strikes, you've got a short-run impact," he said. "These things don't last forever."

On top of that, if Northwest reaches a deal with its flight attendants, such a settlement might be in the long-term best interest of the bankrupt airline.

"We are expecting a hit in July," he said of the state's revenue picture.

MICHILD INFORMATION

Insuring Michigan's Uninsured Children

Health and dental care are vital to the well-being of all Michigan children. That's why the state of Michigan's MICHild program offers health and dental coverage to uninsured children for just \$5 per month.

To enroll or learn more about the MICHild program, visit the state of Michigan's MICHild Web site: www.michigan.gov/michild.

All Michigan legislation can be tracked at <http://www.legislature.michigan.gov/>.

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State Senator Gilda Jacobs represents the 14th Senate District, which includes Beverly Hills, Bingham Farms, Farmington, Farmington Hills, Ferndale, Franklin, Hazel Park, Huntington Woods, Lathrup Village, Oak Park, Pleasant Ridge, Royal Oak Township, Southfield, and Southfield Township. She is the Minority Vice Chair of the Families & Human Services Committee and the Economic Development, Small Business & Regulatory Reform Committee. She also serves on the Government Operations and Health Policy Committees.

Constituents of the 14th District may contact Senator Jacobs at sengjacobs@senate.michigan.gov or toll-free at 1-888-937-4453.

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